

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

KENTUCKY PUBLIC SERVICE COMMISSION)	
)	
v.)	CASE NO. 9205
)	
SOUTH SHORE WATER WORKS, INC.)	

O R D E R

Mr. Wesley Breeding and two of his neighbors¹ became "Customers" of the South Shore Water Works, Inc., ("South Shore") in August 1984 after they constructed a water main "Extension" and South Shore set a meter for each of them at their property lines. The Extension includes about 1,980 feet of 4-inch pipe and about 600 feet of 2-inch pipe in accordance with an agreement between the Customers and South Shore.

The Customers have asked South Shore to assume ownership and maintenance responsibility for the Extension and to make a refund equal to the average cost of 50 feet of the Extension to each of them. South Shore has refused both requests. Mr. Breeding, by letter dated August 13, 1984, asked the Commission for assistance in the matter.

¹ Mr. Breeding's two neighbors are Messrs. Ronnie Smith and Kenneth Morgan.

The Commission forwarded a copy of Mr. Breeding's letter to South Shore, together with a copy of the Commission's regulations, pointing out that the regulations prohibit the installation of a 2-inch water main extension further than 250 feet in length, and asked for a response to the complaint within 20 days. Mr. Breeding was told the Commission was looking into the matter and would be in touch with him. South Shore responded promptly, on August 16, 1984, informing the Commission that the installation had been completed and water service furnished, but made no reference to the complaint that it had refused to assume responsibility for the Extension.

A staff investigation on September 11, 1984, confirmed that South Shore had refused to assume responsibility for the Extension and instead claimed that it is "owned by the customer." With respect to the refund or payment for 50 feet of the Extension as required by Commission regulations, South Shore stated, in its letter of October 15, 1984, that it "has never made refunds on the 'cost of a service line,' regardless of size or length. . . ."

By its Show Cause Order dated November 8, 1984, the Commission found that South Shore had not complied with 807 KAR 5:066, Section 12, Extension of Service, and ordered South Shore to appear at a hearing and show cause why it should not comply with the Commission's regulations and assume ownership of the Extension.

A hearing was held on November 29, 1984, at which Mr. John B. Hannah, Vice President of South Shore, appeared and provided

testimony for South Shore. He presented the utility's objections to the length and cost of maintenance of the Extension on a per customer basis and suggested that South Shore's initial proposal was to set one meter for the Extension at its point of beginning, but for some reason (not stated) this was not done. Instead, a meter was set at each Customer's residence.

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. A 2,580-foot Extension was constructed and paid for by the Customers after an agreement for its construction was made between the Customers and South Shore.

2. A residential service meter was set by South Shore at the property line of each of the three Customers.

3. The Customers' ownership of water pipe should be limited to the service pipe extending from their meter to their point of water usage.

4. South Shore should own all water pipe beyond the Customers' meters. Further, South Shore should maintain its pipe in a manner that will provide adequate, reliable and efficient service to the Customers.

5. South Shore should require Messrs. Breeding, Smith and Morgan to provide the easements and/or rights-of-way that will be required for ownership and maintenance of the Extension.

6. South Shore should require the Customers to provide a construction warranty for the first 12 months of operation of the Extension.

7. South Shore should make an initial refund equal to the average cost of 50 feet of the Extension to each of the three Customers who paid for the Extension. Further, for each new customer added to the Extension during the first 10 years of its operation, South Shore should make a refund equal to 1/3 of the average cost of 50 feet of the Extension to each of the three customers who paid for the Extension.

8. Service pressures on the Extension should be monitored by South Shore to make certain the requirements of the Commission's regulations (807 KAR 5:066, Section 6) are being met. The maintenance of a minimum service pressure of 30 psig under normal conditions and a limit of 150 psig static pressure are primary requirements.

9. The 600 feet of 2-inch pipe included in the Extension exceeds the 250-foot limit of 2-inch non-circulating pipe prescribed by Commission regulations (807 KAR 5:066, Section 11). South Shore should replace this 2-inch pipe if the Commission's requirements for the Customers' service pressure (807 KAR 5:066, Section 6) cannot be met with this pipe in service.

10. The Commission is aware that South Shore is charging certain fees that have not been approved by the Commission. The Commission has decided to hold this matter of fees and charges in abeyance until South Shore files its next rate case, or until the Commission orders further investigation and proper treatment of such fees and charges.

IT IS THEREFORE ORDERED that South Shore shall assume ownership and responsibility for maintenance of the Extension from its point of beginning to the Customers' service meters.

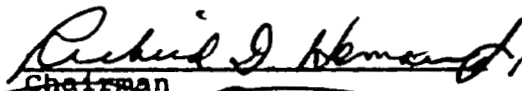
IT IS FURTHER ORDERED that South Shore may require as a condition of ownership and assumption of maintenance responsibility that the customers provide: the necessary easements and/or rights-of-way for future maintenance of the Extension and a construction warranty of the Extension to cover the first year of its operation.

IT IS FURTHER ORDERED that South Shore shall make an initial refund equal to the average cost of 50 feet of the Extension to each of the three Customers who paid for the Extension. Further, for each new customer added to the Extension during the first 10 years of its operation, South Shore shall make a refund equal to 1/3 of the average cost of 50 feet of the Extension to each of the three Customers who paid for the Extension.

IT IS FURTHER ORDERED that South Shore shall make periodic checks of the Customers' service pressures to insure that requirements of the Commission's regulations (807 KAR 5:066, Section 6) are being met. If those requirements cannot be met with the 600 feet of 2-inch pipe in service, then South Shore shall install pipe of adequate size to overcome the noted deficiencies.

Done at Frankfort, Kentucky, this 2nd day of April, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary